

Joint Reply comments of South Beloit Water, Gas and Electric Company (SBWGE) and Interstate Power and Light Company (IPL)

South Beloit Water, Gas and Electric Company (SBWGE) and Interstate Power and Light Company (IPL) submit the following reply comments to the comments to questions posed by the Commission regarding Governor Blagojevich's proposed Sustainable Energy Plan for Illinois. IPL and SBWGE appreciate the opportunity to share the comments below, recognizing that its comments are not as complete given the short comment period.

RPS Comments

Eligible Technologies:

IPL and SBWGE believe that the list of eligible resources and technologies to meet Illinois' RPS should be as broad and encompassing as possible.

Wind Requirement:

IPL and SBWGE do not agree with the requirement for wind to comprise 75 percent of the renewable energy produced to meet the Illinois RPS. All eligible resources and technologies should be weighted equally, and by imposing this 75% wind requirement, utilities may be in a situation where they meet the overall RPS threshold, but do not have the proper wind allocation; thereby requiring the utility to procure more wind resources.

Existing Resources:

IPL and SBWGE believe that utilities should be allowed to count eligible resources toward the RPS that were in use prior to RPS implementation. Disallowing such resources would unjustly penalize utilities for proactive measures they have taken to prepare for the RPS.

Two percent in 2006:

A two percent requirement is a short lead-time if only utility-owned renewables or long-term PPA's will be accepted. To procure renewables in the most cost effective manner, IPL and SBWGE need to distribute an RFP which typically takes three months to receive responses back from bidders. Negotiation may take an additional three to six months. After negotiations are completed, the renewable facility needs to be built and put into

production, taking another six-twelve months. The entire process can take 12-24 months or even longer if problems arise. A more realistic approach is to start at one percent in 2007.

Out-of-State Resources:

IPL and SBWGE firmly believe that resources located outside of Illinois that can be used to serve Illinois customers, should be allowed to count toward Illinois' RPS. If interstate trading of renewable energy credits will be pursued in Illinois, then it stands to reason that out-of-state resources should be allowed to count. Also, multi-state utilities such as Wisconsin Power and Light Co (SBWGE's parent) and IPL plan their resources on a system-wide basis. In other words, a coal plant in IPL's Iowa service territory serves customers in Iowa, Minnesota, and Illinois. The same line of reasoning should be applied to Illinois' RPS. Furthermore, regional environmental advances outside of Illinois are most certainly beneficial to residents of Illinois because Illinois' ecosystem is inextricably connected to ecosystems of neighboring states. Lastly, wind located in Wisconsin or Iowa may be more cost effective than wind located in Illinois.

Fines:

IPL and SBWGE agree with Ameren that the RPS program should be voluntary. IPL and SBWGE believe that there should not be an explicit system of fines for not meeting RPS targets. If the ultimate goal is 8% by 2012, then that should be the ultimate target both industry-wide and for individual utilities. The intermediate annual goals are just benchmarks to gauge compliance. Renewable investments are "lumpy" in nature, and it would not necessarily be the most cost effective approach to increase by exactly one percent each year.